

Received on  
30 Aug 2006  
*[Signature]*

**MBONAMBI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**



**FOR THE YEAR**  
**ENDED 30 JUNE 2006**

## INDEX

	Page
1 GENERAL INFORMATION	2
2 APPROVAL OF THE FINANCIAL STATEMENTS	2
3 FOREWORD	3
4 REPORT OF THE AUDITOR-GENERAL	4
5 CHIEF FINANCIAL OFFICER'S REPORT	5
6 MUNICIPAL MANAGER'S REPORT	6/7
7 ACCOUNTING POLICIES	8/9
8 BALANCE SHEET	10
9 INCOME STATEMENT	11
10 CASH FLOW STATEMENT	12
11 NOTES TO THE FINANCIAL STATEMENTS	13/18
12 APPENDICES	
A - STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS	19
B - EXTERNAL LOANS AND INTERNAL ADVANCES	20
C - ANALYSIS OF FIXED ASSETS	21/22
D - ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005	23
E - DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005	24
F - STATISTICAL INFORMATION	25

## GENERAL INFORMATION

## MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr. M.E. Mthethwa  
 Cllr. T.M. Blyela  
 Cllr FFB Mpungose  
 Cllr. B.T. Mngayi  
 Cllr G.G.G. Mthethwa

Mayor  
 Deputy Mayor

SPEAKER OF COUNCIL  
 Cllr. JM Zulu

Total number of councillors:  
 25

## GRADING OF THE LOCAL MUNICIPALITY

Grade 2  
 (As per councillor remuneration grading)

AUDITORS  
 The Auditor-General

BANKERS  
 ABSA - Durban Central

REGISTERED OFFICE  
 Civic Office  
 25 Bredellia Street  
 KwaMbonambi

P.O. Box 96  
 KwaMbonambi  
 3915

Telephone: (035) 580 1421  
 Fax No: (035) 580 1141  
 e-mail: mthemba@mbonambi.co.za

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 29 were approved by the Municipal Manager on 30 August 2005 and presented to and approved by Council in October 2005.



MUNICIPAL MANAGER  
 M.H. Nkosi (effective 01 July 2002)



CHIEF FINANCIAL OFFICER  
 CN Mthethwa (effective 01 June 2002)

## **MAYORAL FOREWORD**

It is important for me to acknowledge all the Councilors and Officials who assisted me in doing my responsibility as the Mayor of this Municipality.

Over the past financial years I have seen tremendous growth and improvement in terms of our revenue generating areas. We are confident that we can still do better.

Our Municipality is now taking up new responsibilities and facing new challenges. The dawning of the consolidation phase moving towards stabilization has seen our municipality moving from small to medium capacity Municipality. We will continue to seek strong partnership with other government departments to ensure that the services are provided to all our people.

In conclusion I would like to thank the Chief Financial Officer and the Finance Department for their commitment and dedication towards the production of these financial statements.



**ME MTHETHWA**  
**MAYOR**

**REPORT FROM THE AUDITOR-GENERAL**

The financial statements have not yet been audited.  
(Will be included once received after audit).

### CHIEF FINANCIAL OFFICER'S REPORT

The municipality has been running independently for the past 3 years and the operating activities are improving day by day. The concentration for the past 3 years was on the establishment of new municipal offices, employment of new staff members, development of policies and procedure, collection of data from different locations and training of staff members and councilors. The challenge for this year was to ensure that all policies are implemented and all the backlogs were covered within this financial year. The annual financial statements for 2001/2002 and 2002/2003 were qualified and the 2000/2001 were unqualified. The qualification of 2001/2001/2003 were basically recurring audit queries that happened as a result of insufficient information being presentation to auditors and also lack of internal controls to deal with day-to-day operations.

The IDP review processes were started and wards were visited for need assessment on the ground and proved to be successful. The whole process was finalized in June 2005. The 2004/2005-budget process started early and was finalized in June 2004. Budget meeting and workshops were held for the purpose of getting all the inputs from employees and community. The budget was prepared in line with the needs identified in the IDP, however the councilors took a resolution to deliver their Mayoral Projects.

Income received for the 2005/2006 financial year amounted to R12, 7 million. The budget income was not achieved but actual operating expenditure was above the actual operating income. Grants and revenue were used to finance the acquisition of capital assets amounting to R3, 6 million in respect of the Municipal Infrastructure Grant (MIG).

Additional staff members were employed during the current financial to ensure that services are provided to the community in a fair, equitable and transparent manner. The capacitating of staff was the key goal for this financial year. The Heads of Departments signed performance management agreements for the financial year and scorecards and target objectives were agreed upon between officials and councilors. Though there have been great achievements but there are milestones that must be achieved in the next years. These challenges are the preparation of annual reports, establishment of Rates Policy and it's implementation through the property rates, LUMS and Town Planning scheme finalization, establishment of HIV Policy, LED Policy and master plan, implementation of MFMA, Organizational PMS, implementation of sustainable projects, increased revenue, sourcing finances and investors, etc.


These financial statements represent the financial performance and operating results of the Mbonambi Municipality for the year ended 30 June 2006.

#### 1. OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2006 are as follows:

INCOME	Actual 2005/2006	Budget 2005/2006	Variance 2005/2006	Actual 2005/2006	Variance 2005/2006
Operating income					
For the period closing	6,088,910	35 042 420.00	-47.7%	13,440,251	-54.7%
deficit	6,112,850	0	320.3%	-	-
	12,201,760			13,440,251	
EXPENDITURE	Actual 2005/2006	Budget 2005/2006	Variance 2005/2006	Actual 2005/2006	Variance 2005/2006
Opening deficit	-	-	-	-	-
Expenditure for the year	12,201,760	35 042 420.00	-6.8%	11,470,329	6.4%
Closing Surplus	-	-	-	1,969,922	-
	12,201,760	13,097,280		13,440,251	

Actual's are less than the budget as a result of library construction Grant and portion of capacity support grant was not received as well.

  
CN NGEMA  
CHIEF FINANCIAL OFFICER

## **MUNICIPAL MANAGER'S REPORT**

Mbonambi Municipality was established after 5 December 2000. This was a result of the creaction of wall-to-wall Municipalities. The first five years have been years of establishment coupled with staff capacitation and filling up of key positions.

The consolidation phase has seen this Municipality growing from the small to a medium capacity Municipality. The annual assessment of the Demarcation Board has seen the advancement in terms of performance of Powers and Functions as provided for in Schedule 4B & 5B of the Constitution (Act 108 of 1996).

### **GOOD GOVERNANCE**

The Municipality is fully aware of its mandate and obligations as provided for in the Municipal Finance Management Act (Act No. 56 of 2003). We have been able to start the implementation of the Municipal Property Rates Act (No.6 of 2004) and we are confident that the complete General Valuation Roll (GVR) will be implemented in the 2007/2008 financial years. This Act allows the Municipality to enhance its revenue generating streams.

### **PMU & IDP**

The Municipality has received it's own share for the implementation of the Municipal Infrastructure projects. This funding source is the Municipal Infrastructure Grant (MIG). We have capacity to implement these projects on our own and in line with the needs as expressed in the formulation of the Intergrated Development Plan (IDP).

### **FUTURE GROWTH**

The next two financial years are going to see the Municipality implementing two major projects v.i.z the Kwambonambi Country Estate (estimated at 1,2billion) and the Commercial Centre next to the highway estimated at R110million.

### **SUMMARY**

The Municipality is going to continue maintaining standards and improving service delivery in line with its Organisational Performance Management Systems and the Service Delivery Budget Implementation Plan (SDBIP).

Finally, we are grateful for all the assistance rendered by the office of the Auditor-General over the past years and hope for the continuation of this relationship.

**MH NKOSI**

**MUNICIPAL MANAGER**

**DATE:** 30 June 2006



**MBONAMBI MUNICIPALITY**  
**ACCOUNTING POLICIES**

**1 BASIS OF PRESENTATION**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- (i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.
  - (ii) Expenditure is accrued in the year it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.
- 1.5 The Accounting Policies are consistent with the previous year's accounting policies with the exception of accounting policy note 11,5.6 & 5.7.

**2 CONSOLIDATION**

The financial statements include rates and general services, equitable share, trading services and the different funds and reserves. All inter departmental charges are set off against each other. A contribution was not made from Rate and General Service, even though that was budgeted for, as the Water Service attained a Surplus for the year.

**3 FIXED ASSETS**

- 3.1 *Fixed assets are stated:*
- (i) at historical cost, or
  - (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 *Depreciation*
- The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
  - (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all assets are credited to a CDF.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

**4 STOCK**

Stock is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

**5 FUNDS AND RESERVES**

**5.1 Capital Development Fund**

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority to the immediately preceding financial year.

## 5.2 Public Improvement Fund

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

## 5.3 Leave Provision

A provision equal to the actual leave credit as at 30 June 2004 is maintained to provide for leave payments on request. Contributions are made from the operating account.

## 5.4 Bad Debt Provision

A provision equal to the anticipated risk as at 30 June is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

## 5.5 Trust Funds

Trust funds are maintained to ensure that grants received for a specific purpose are recorded.

## 6 RETIREMENT BENEFITS

Mbonambi Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 2001

## 7 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## 8 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

## 9 INCOME RECOGNITION

### 9.1 Assessment Rates

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

## 10 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilized to fund projects that the council may deem necessary to fund.

## 11 INTEREST

All interest received will be posted to the operating income and shall not be posted to trust funds, statutory funds and reserves unless stated as grant condition.

## BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,681,933	3,681,633
Accumulated Funds	1	3,681,933	3,681,633
RETAINED INCOME/ (ACCUMULATED DEFICIT)	14	-4,367,489 -685,556	-2,919,618 762,015
TRUST FUNDS	2	6,448,080	3,953,445
LONG-TERM LIABILITIES		-	-
CONSUMER DEPOSITS	3	16,178 <u>5,778,702</u>	10,129 <u>4,725,589</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	918,995	918,995
LONG TERM DEBTORS	5	145,866	145,866
INVESTMENTS	6	3,903,454 ✓ 4,968,315	753,434 1,818,295
NET CURRENT ASSETS / (LIABILITIES)		810,387	2,907,294
CURRENT ASSETS		1,543,492	2,901,137
Inventory	7	-	-
Debtors	19	1,148,635	2,860,853
Cash resources	7	356,352	1,777
Short-term portion of long term debtors	7	38,506	38,506
CURRENT LIABILITIES		733,105	-8,157
Provisions	8	-52,245	-42,254
Trade Creditors	9	-	-
Other Creditors	9	785,350	280,027
Short-term portion of long term liabilities	4	-	-
Bank Overdraft	19	-	-243,930
		<u>5,778,702</u>	<u>4,725,589</u>

MBONAMBE MUNICIPALITY

11

INCOME STATEMENT FOR THE YEAR  
ENDED 30 JUNE 2006

	2005		2005		2005	
	Actual	Income	Actual	expenditure	Surplus / (Deficit)	R
6,116,023		R	11,870,137	R	(5,754,114)	R
6,031,212	11,869,223	(5,838,011)				
-	914	(914)				
84,811	-	84,811				
(1,733)	-	(8,505)				
(8,505)	-	(8,505)				
6,088,910	11,870,137	(5,762,619)				
		(471,845)				
		(6,234,464)				
		3,314,846				
		(2,919,618)				

	2006		2006		2006		2006
	Actual	Income	Actual	expenditure	Surplus / (Deficit)	R	
RATES & GENERAL SERVICES	24,339,879		25,787,750		(1,447,871)		-
- Community Services	24,312,344		25,786,460		(1,474,116)		-
- Subsidized Services	-		1,290		(1,290)		-
- Economic Services	27,535		-		27,535		-
TRADING SERVICES	-		-		-		-
- Trading Services	-		-		-		-
TOTAL	24,339,879		25,787,750		(1,447,871)		-
Appropriations for this year (refer to note 14)					-		-
Net surplus/ (deficit for the period)					(1,447,871)		-
Accumulated surplus beginning of the year					(2,919,618)		-
ACCUMULATED SURPLUS(DIFICIT) AT THE END OF THE YEAR					(4,367,489)		-

(Refer to appendix D and E for more detail)

(Refer to appendix D and E for more detail)

**MBONAMBI MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE**  
**YEAR ENDED 30 JUNE 2006**

		2006	2005
	Note	R	
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>3,266,715</b>	<b>8,925,992</b>
Cash generated by operations	15	5,391,239	6,637,319
Investment Income	13	94,508	51,123
(Increase)/decrease in working capital	18	(2,217,541)	237,553
		3,268,206	6,925,993
Less: External interest paid	13	(1,491)	-
Cash available from operations		3,266,715	6,925,992
Contributions from Public or the State		-	-
<b>CASH UTILIZED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET CASH FLOW</b>		<b>3,266,715</b>	<b>6,925,991</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Decrease/(Increase) in Cash Investments	18	3,150,020	(1,500,000)
Increase/(Decrease) in Deposits		6,050	3,800
(Increase)/ Decrease in Cash	19	110,645	(5,429,793)
<b>NET CASH GENERATED</b>		<b>3,266,715</b>	<b>(6,925,991)</b>

## MBONAMBI MUNICIPALITY

## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>1. ACCUMULATED FUNDS</b>		
Capital Development Fund	978,122	978,822
Public Improvement Fund	2,702,811	2,702,811
	<u>3,681,933</u>	<u>3,681,633</u>
(Refer to appendix A for more detail)		
<b>2. TRUST FUNDS</b>		
MIG	2,494,836	
Projects Creditors	1,994,310	1,994,310
Establishment Grant (Phase I)	0	0
Transitional Grant (Phase II)	713,561	713,561
Integrated Development Grant	103,672	103,672
Municipal Structures Improvement Grant	32,752	32,752
Assistance Grant - Councilors	189,720	189,720
Assistance Grant - Tax	625,000	625,000
Grant - Free Basic Services	0	0
Human Resources Support Grant	244,430	244,430
Funding Re-Imbursement Grant	0	0
Grant - Community Communication Initiative	50,000	50,000
	<u>6,445,080</u>	<u>3,953,445</u>
(Refer to appendix A for more detail)		
<b>3. DEPOSITS</b>		
Services	-	10,128
Other	16,178	0
	<u>16,178</u>	<u>10,128</u>
<b>4. FIXED ASSETS</b>		
Asset Acquisition	9,153,718	10,703,119
Fixed assets at the beginning of the year	0	1,088,852
Capital expenditure during the year	0	-2,636,053
Less: Assets written off, transferred or disposed of during the year	<u>9,153,718</u>	<u>9,153,718</u>
Total fixed assets		
	8,234,723	8,234,723
Less: Loans redeemed and other capital receipts	<u>918,995</u>	<u>918,995</u>
Net fixed assets		
(Refer to appendix "C" and section 2 of the Treasurers Report for more details on fixed assets)		
Fixed assets are resources owned by the Council from which future economic benefits are expected to flow. All assets are capitalized. Fixed assets are financed by grants, subsidies and revenue.		
<b>5. LONG TERM DEBTORS</b>		
Vehicle Loans	184,372	184,372
Less: Current Portion	<u>38,506</u>	<u>38,506</u>
	<u>145,866</u>	<u>145,866</u>

## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
<b>6. INVESTMENTS</b>		
Unlisted:	0	0
Short term deposits	3,539,306	0
Call deposits	364,148	753,434
Total Investments	<u>3,903,454</u>	<u>753,434</u>
Managements' valuation of unlisted investments.	<u>3,903,454</u>	<u>753,434</u>
Section 125 of the Local Authorities Ordinance, No.25 of 1974, requires local authorities to invest funds, which are not immediately required, with prescribed institutions.		
<b>7. DEBTORS</b>		
Current debtors(Consumers and other)	880,751	797,130
DM Water	-19,440	-16,950
Short Term portion	38,508	38,508
District Municipality	-37,933	-37,933
Other Municipalities	4,402	4,402
Receiver of Revenue (Value Added Tax)	-874,252	111,741
Suspense - Housing & Other	-507,709	298,647
UDM Water Debtors	<u>2,399,915</u>	<u>2,399,915</u>
	<u>1,884,240</u>	<u>3,686,458</u>
	<u>697,099</u>	<u>697,099</u>
Less: Provisions for bad Debts	<u>1,187,141</u>	<u>2,899,359</u>
Net current debtors		
<b>8. PROVISIONS</b>		
Accounting & Audit Fees	75,536	75,536
Leave	-127,781	-117,790
Bad Debts	<u>0</u>	<u>0</u>
	<u>-52,245</u>	<u>-42,254</u>
<b>9. CREDITORS</b>		
Trade Creditors	0	0
Value Added Tax	0	0
Prepaid Debtors	250,000	250,000
Salary Suspense	527,161	0
Miscellaneous Suspense	41,641	41,641
Uthungulu Suspense	0	0
Accruals	766	766
Billing Refund	-34,218	-12,382
Creditors Default Account	0	0
Other Municipalities	0	0
	<u>785,350</u>	<u>280,026</u>

**MBONAMBI MUNICIPALITY**

15

**NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006**
**10. ASSESSMENT RATES**

Rateable Land

2006  
R

2005  
R

0

0

Valuations on land are performed every five years. The basic rate was 5.18 cents per rand on land only.

The State receives a discount of 20% on their properties. The fixed date for the Valuation Roll was 1 November 1997.

**11. COUNCILLORS' REMUNERATION and SENIOR MANAGERS**

Mayor's allowance

67,074

67,074

Deputy Mayor's Allowance

54,964

54,964

Speaker's Allowance

54,964

54,964

Executive Committee Allowance

155,815

155,815

Councillors' allowance

1,851,446

1,802,157

2,184,263

2,134,974

Total Councillors' Remuneration

SENIOR MANAGERS

350,302

350,302

Municipal Manager

283,272

283,272

Chief Financial Officer

255,095

255,095

Director Corporate Services

886,869

886,869

**12. AUDITORS' REMUNERATION**

Paid during the year

356,945

93,006

Total Auditors' remuneration

356,945

93,006

**13. FINANCE TRANSACTIONS**

Total external interest earned/(paid):

94,508

51,123

Interest earned

1,491

0

Interest paid

94,508

51,123

Capital Charges debited to operating account:

0

0

Interest: External

0

0

Internal

0

0

Redemption: External

0

0

Internal

0

0

**14. APPROPRIATIONS**

Net Appropriation account

-2,919,618

3,314,846

Accumulated surplus/(deficit) at the beginning of the period

-1,447,871

-6,234,484

Operating surplus for the period

-1,447,871

-5,782,619

Appropriations for the year

0

-471,845

Prior Year adjustments

-4,367,489

-2,919,618

Accumulated surplus/(deficit) at the end of the period



## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
Operating account	0	0
Capital expenditure	5,916,083	0
Contributions to:		
- Provisions	0	0
- Reserves	0	0
- Trust Funds	5,916,083	0
- Capital Development Fund	0	0
	<u>5,916,083</u>	<u>0</u>
<b>15. CASH GENERATED BY OPERATIONS</b>		
Net surplus (deficit) for the year	1,447,871	6,112,850
Adjustment for:		
Appropriations for previous year	0	-829,601
Appropriations charged against income and Contributions	-300	-386,092
Capital Development fund	0	0
Provisions	0	0
Reserves	-300	-386,092
Trust Funds	0	0
Fixed Assets	0	0
Investment Income	-94,506	-51,123
Non operating income	0	0
Provisions	0	0
Trust funds	0	0
Non operating expenditure	4,028,185	0
Trust Funds	0	0
Reserves	9,991	132,079
Provisions	<u>5,391,239</u>	<u>8,637,317</u>
Operating surplus before working capital changes		
<b>16. (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in stock	0	0
(Increase) in debtors	-1,712,218	44,414
(Increase) in creditors	-505,323	193,139
	<u>-2,217,541</u>	<u>237,563</u>

## MBONAMBI MUNICIPALITY

## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
17. (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	0	0
Loans Repaid	0	0
	<u>0</u>	<u>0</u>
18. (INCREASE)/DECREASE IN INVESTMENTS		
Investment beginning of the year	753,434	2,253,434
Investment end of the year	3,903,454	753,434
Net increases in cash equivalents	<u>3,150,020</u>	<u>-1,500,000</u>
19. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance beginning of the year	245,707	5,314,228
-Cash on hand	1,777	1,777
-Cash in bank	243,930	5,312,452
Less: Cash balance at the end of the period	356,352	245,707
-Cash on hand	1,777	1,777
-Cash at Bank	354,575	243,930
-Cash at Bank - Overdraft	0	
	<u>110,645</u>	<u>-5,068,522</u>
20. CAPITAL DEVELOPMENT FUND		
Accumulated Funds (Appendix A)	979,122	978,822
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Balance available for External Investment	<u>979,122</u>	<u>978,822</u>
21. PUBLIC IMPROVEMENT FUND		
Accumulated Funds (Appendix A)	2,702,811	2,702,811
Temporary Advance to Operating Account	0	0
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Less: Funds Invested in fixed assets (Appendix C)	0	0
Balance available for External Investment	<u>2,702,811</u>	<u>2,702,811</u>

## 22. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2001

## NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

## 23. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for  
Approved but not yet contracted for

	0 R	2005 R
Approved and contracted for	0	0
Approved but not yet contracted for	0	0
	<u>0</u>	<u>0</u>

This experience will be financed from:

Internal sources  
External sources  
Provincial sources

Internal sources	0	0
External sources	0	0
Provincial sources	0	0
	<u>0</u>	<u>0</u>

## 24. CONTINGENT ASSETS

	<u>0</u>	<u>0</u>
--	----------	----------

## 25 Accumulated Suppliers for the year - Recon

DEBTORS - CURRENT DEBTORS	8,505	358,490
CAPITAL SUSPENSE - UNAPPROPRIATED SURPLUS	1,258,205	837,503
ACCUMULATED SURPLUS/DEFICIT	<u>3,100,779</u>	<u>2,430,613</u>
ACCUMULATED SURPLUS/DEFICIT	<u>4,367,489</u>	<u>3,627,606</u>
Income Statement Appendix E - AFS	4,367,489	3,627,606
	-1	7,255,212
Difference		

## MBONAMEBI MUNICIPALITY

## APPENDIX A

## STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 01/07/2005 R	Contributions during the year R	Interest on investment R	Other income R	Operational expenditure during the year R	capital expenditure during the year R	Balance at 30/06/2006 R
<b>STATUTORY FUNDS</b>							
Capital Development Fund	978,822	-	-	300	-	-	979,122
- Rates & General Services	978,822	-	-	300	-	-	979,122
- Water	-	-	-	-	-	-	-
Public Improvement Funds	2,702,811	-	-	-	-	-	2,702,811
	<b>3,681,633</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>3,681,933</b>
<b>TRUST FUNDS</b>							
MIG	-	5,916,083	-	606,737	4,028,185	-	2,494,636
Project Creditors	1,994,310	-	-	-	-	-	1,994,310
Establishment Grant (Phase I)	-	-	-	-	-	-	713,561
Transitional Grant (Phase II)	713,561	-	-	-	-	-	103,672
Integrated Development Grant	103,672	-	-	-	-	-	32,752
Municipal Structures Improvement Grant	32,752	-	-	-	-	-	189,720
Assistance Grant - Councillors	189,720	-	-	-	-	-	625,000
Assistance Grant - Tax	625,000	-	-	-	-	-	-
Grant - Free Basic Services	-	-	-	-	-	-	244,430
Human Resources Support Grant	244,430	-	-	-	-	-	-
Funding Re-imbursement Grant	-	-	-	-	-	-	50,000
Grant - Community Communication Initiative	50,000	-	-	-	-	-	-
	<b>3,953,445</b>	<b>5,916,083</b>	<b>-</b>	<b>606,737</b>	<b>4,028,185</b>	<b>-</b>	<b>6,448,080</b>
<b>PROVISIONS</b>							
Accounting & Audit Fees	75,536	-	-	-	-	-	75,536
Leave	(117,790)	-	-	-	9,991	-	(127,781)
Bad Debts	697,099	-	-	-	-	-	697,099
	<b>654,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,991</b>	<b>-</b>	<b>644,854</b>
<b>RESERVES</b>							
Working Capital Reserves	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-
	<b>8,289,923</b>	<b>5,916,083</b>	<b>-</b>	<b>607,037</b>	<b>4,038,176</b>	<b>-</b>	<b>10,774,867</b>
<b>TOTAL</b>							

## MBONAMBI MUNICIPALITY

## APPENDIX B

## EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 01 July 2005 R	Received during the period R	Redeemed or written off during the period R	Balance at 30 June 2006 R
Annuity Loans	-	-	-	-
Fixed Loans	-	-	-	-

INTERNAL ADVANCES BORROWING SERVICES	Balance at 01 July 2004 R	Received during the period R	Redeemed or written off during the period R	Balance at 31 June 2005 R
Public Improvement Fund	-	-	-	-
Capital Development Fund	-	-	-	-

## MBONAMBI MUNICIPALITY

## APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2006	Service	Budget 2006	Balance at 01.07.2006	Expenditure 2006	Written off transferred	Balance at 30.06.2006
R	R	R	R	R	R	R
41,920	Land and Buildings	0	3,654,006	0	0	3,654,006
41,920	Buildings	0	3,642,927	0	0	3,642,927
0	Land	0	3,407	0	0	3,407
0	Public Conveniences	0	7,672	0	0	7,672
1,044,731	Movable Assets	0	3,089,143	0	0	3,089,143
40,489	Furniture and Equipment	0	821,944	0	0	821,944
1,004,242	Plant & Vehicles	0	2,267,199	0	0	2,267,199
0	Roads & Stormwater	0	1,749,583	0	0	1,749,583
0	Roads & Streets	0	1,707,408	0	0	1,707,408
0	Road signs	0	11,209	0	0	11,209
0	Stormwater Drains	0	30,965	0	0	30,965
0	Parks & Recreation	0	52,936	0	0	52,936
0	Grounds & Fences	0	52,936	0	0	52,936
0	Miscellaneous	0	583,503	0	0	583,503
0	Sundry Works	0	583,503	0	0	583,503
0	Sanitation	0	20,536	0	0	20,536
0	Sewerage	0	20,536	0	0	20,536
0	Water Service	0	0	0	0	0
0	Water Service	0	0	0	0	0
0	Housing Services	0	4,012	0	0	4,012
0	Housing Services	0	4,012	0	0	4,012
0	Public Improvements	0	0	0	0	0
0	Public Improvements	0	0	0	0	0
1,088,651	<b>TOTAL FIXED ASSETS</b>	0	9,153,718 #	0	0	9,153,718
0	<b>ASSET FINANCING FUND</b>	0	8,234,723	0	0	8,234,723
0	<b>CAPITAL RECEIPTS</b>	0	8,234,723	0	0	8,234,723
0	Loans redeemed & Advance paid	0	813,443	0	0	813,443
0	Contributions from ex-operating income	0	2,082,185	0	0	2,082,185
0	Grants & Subsidies	0	5,498,572	0	0	5,498,572
0	Public Contributions	0	32,916	0	0	32,916
0	Sale of Assets	0	7,607	0	0	7,607
0	Miscellaneous	0	0	0	0	0
1,088,651	<b>NET FIXED ASSETS</b>	0	918,995	0	0	918,995

## MBONAMBI MUNICIPALITY

## APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2005 R	Service R	Budget 2006 R	Balance at 01.07.2005 R	Expenditure 2006 R	Written off transferred R	Balance at 30.06.2006 R
0	Rates & General Services	0	0	0	0	0
0	Community Services	0	0	0	0	0
0	Assessment Rates	0	0	0	0	0
0	Corporate Services	0	0	0	0	0
0	Council's General Expenses	0	0	0	0	0
0	Financial Services	0	0	0	0	0
0	Municipal Manager	0	0	0	0	0
0	Public Works	0	0	0	0	0
0	Parks & Gardens	0	0	0	0	0
0	Subsidised Services	0	0	0	0	0
0	Health & Refuse	0	0	0	0	0
0	Library	0	0	0	0	0
0	Economic Services	0	0	0	0	0
0	Cleansing	0	0	0	0	0
0	Sewerage	0	0	0	0	0
0	HOUSING	0	0	0	0	0
0	Economic	0	0	0	0	0
0	Sub-Economic	0	0	0	0	0
0	TRADING SERVICES	0	0	0	0	0
0	Electricity	0	0	0	0	0
0	Water	0	0	0	0	0
0	PUBLIC IMPROVEMENT FUND	0	0	0	0	0
0	TOTAL FIXED ASSETS	0	0	0	0	0
0	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		8,234,723	0	0	8,234,723
0	Loans redeemed & Advance paid		613,443	0	0	613,443
0	Contributions from ex-operating income		2,082,185	0	0	2,082,185
0	Grants & Subsidies		5,498,572	0	0	5,498,572
0	Public Contributions		32,916	0	0	32,916
0	Sale of Assets		7,607	0	0	7,607
0	Miscellaneous		0	0	0	0
0	NET FIXED ASSETS		-8,234,723	0	0	-8,234,723

## MBONAMBI MUNICIPALITY

## APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
FOR THE YEAR ENDING 31 JULY 2005

Actual 2005 R		Actual 2006 R	Budget 2006 R
	<b>INCOME</b>		
<b>4,765,468</b>	<b>Government and Provincial grants and subsidies</b>	<b>14,243,905</b>	<b>10,382,000</b>
5,674,317	- Equitable share	14,243,905	9,482,000
(908,849)	- National / Provincial Government	-	900,000
-		-	-
<b>921,306</b>	<b>Operating Income</b>	<b>715,909</b>	<b>892,535</b>
831,471	- General Rates	675,867	799,335
759	- Rates Clearance Certificates	725	-
(8,505)	- Water services	-	-
97,580	- Refuse Removal	39,317	93,200
-	- Service Charges, Tariffs, etc	-	-
<b>369,622</b>	<b>Other income</b>	<b>233,344</b>	<b>98,557</b>
12,900	- Tender Monies	55,400	10,000
184,109	- Miscellaneous Income	72,228	30,000
(5,449)	- Rent Internal	105,716	25,860
178,063	Sappi Lease	-	-
-	- Loans Internal	-	32,697
<b>51,123</b>	<b>Interest earned</b>	<b>94,508</b>	<b>269,625</b>
<b>6,107,518</b>	<b>TOTAL INCOME</b>	<b>15,287,666</b>	<b>11,642,717</b>
	<b>EXPENDITURE</b>		
	<b>OPERATING EXPENDITURE</b>		
4,968,227	Salaries, wages and allowances	6,162,290	5,584,127
3,583,422	General expenses	5,301,332	2,300,708
1,047,215	Repairs and maintenance	1,546,206	1,276,900
-	Capital charges	-	-
1,187,698	Contributions to fixed assets	556,316	256,500
1,083,576	Contributions to funds	12,221,605	3,679,045
11,870,138	Gross operating expenditure	25,787,750	13,097,280
-	Less : Amounts recharged	-	-
<b>11,870,138</b>	<b>Net operating expenditure</b>	<b>25,787,750</b>	<b>13,097,280</b>
<b>(5,762,620)</b>	<b>SURPLUS</b>	<b>(10,500,084)</b>	<b>(1,454,563)</b>



**APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2006**

**APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2006**

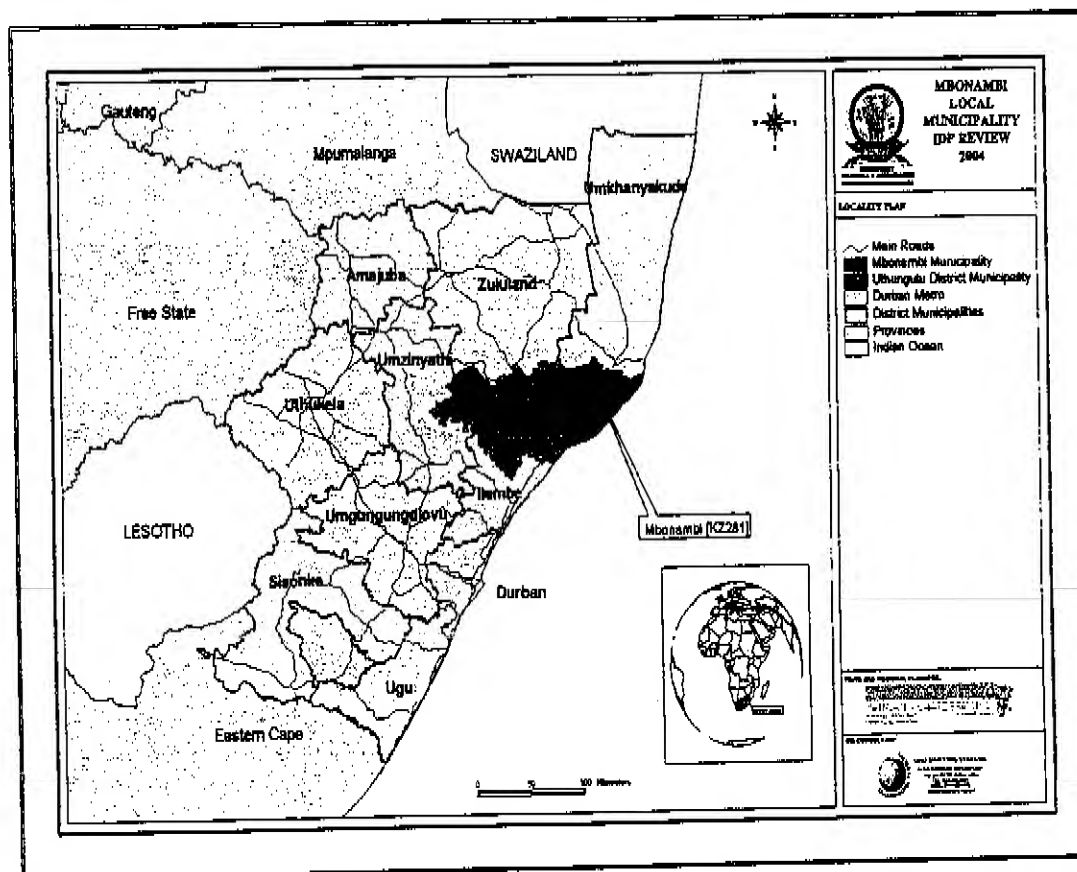
2005 Actual Income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R
6,031,212	11,869,223	-5,838,012
6,031,212	11,869,223	-5,838,012
826,025	-308	826,333
0	5,672,896	-5,672,666
5,205,167	1,487,281	3,717,905
0	0	0
0	2,055,774	-2,055,774
0	2,853,760	-2,853,760
0	0	0
0	914	-914
0	914	-914
84,811	0	84,811
84,811	0	84,811
0	0	0
-8,505	0	-8,505
-8,505	0	-8,505
0	0	0
<u>6,107,818</u>	<u>11,870,137</u>	<u>-5,762,819</u>
		-471,845
		-8,234,464
		3,314,846
		<u>-2,919,818</u>

	2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (deficit) R	2006 Budget Surplus/ (deficit) R
	YTD	YTD	YTD	YTD
<b>RATES &amp; GENERAL</b>	24,312,344	26,786,480	-1,474,116	-312,663
<b>COMMUNITY SERVICES</b>	24,312,344	26,786,480	-1,474,116	-312,663
Rates and General	678,154	0	678,154	-107,468
Council General Expenses	0	12,361,302	-12,361,302	1,375,526
Civic Defence	0	0	0	4,002,100
Financial Management	23,636,190	6,257,517	17,378,673	1,261,871
Health & Clinics	0	0	0	227,828
Human Resources	0	1,749,765	-1,749,765	-8,407,160
Public Works	0	5,417,877	-5,417,877	2,234,660
	0	0	0	100,000
<b>SUBSIDISED SERVICES</b>	0	1,290	-1,290	242,663
Library	0	1,290	-1,290	242,663
<b>ECONOMIC SERVICES</b>	27,535	0	27,535	70,000
Refuse Removal	27,535	0	27,535	70,000
<b>TRADING SERVICES</b>	0	0	0	0
Water	0	0	0	0
<b>TOTAL</b>	<u>24,339,879</u>	<u>25,787,760</u>	<u>-1,447,871</u>	<u>0</u>
Appropriations for the year (refer to note 14)			0	
Net surplus/(deficit) for the year			-1,447,871	
Accumulated surplus/(deficit) beginning of the year			-2,919,818	
Accumulated surplus/(deficit) at the end of year			<u>-4,367,489</u>	

**Mbonambi Municipality**

## Appendix F

### Statistical information



Total Number of Wards	13
Total Number of Councilors	25
Total population	106518
Total number of registered voters	43962
Total number of voting district	49
Number of employees	34
Number of police stations	1
Number of Medical Facilities	8
Number of Schools	101
Number of square meters	120905.7 ha